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1994 Season Sales Summary

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Another year of solid growth in the bedding plant market may seem like "old hat", but that old news is still very good news. Continued steady growth in annual and perennial plant production units of five percent was seen again this season.

Prices fluctuated very little. Perennial producers appeared more optimistic about this year and next than annual plant producers. Labor, government regulations and competition, especially from mass-merchandisers, were high priority concerns.

The questionnaire and a cover form were sent in the same envelope along with a letter. The surveys were sent to 1,169 PPGA members on June 27 and July 11, 1994. A business reply envelope was also enclosed.

Two mailings were sent to increase the response rate. Of the 1,169 members requested to respond, 260, or 22% of the members, participated in the study this year. Even though fewer surveys were distributed, response rate was unchanged from 1993 (22%) when 305 of approximately 1400 members responded.

PPGA members from 41 states in the United States and 4 Canadian provinces responded (Figure 1). The greatest number of responses came from Michigan (49), which accounted for

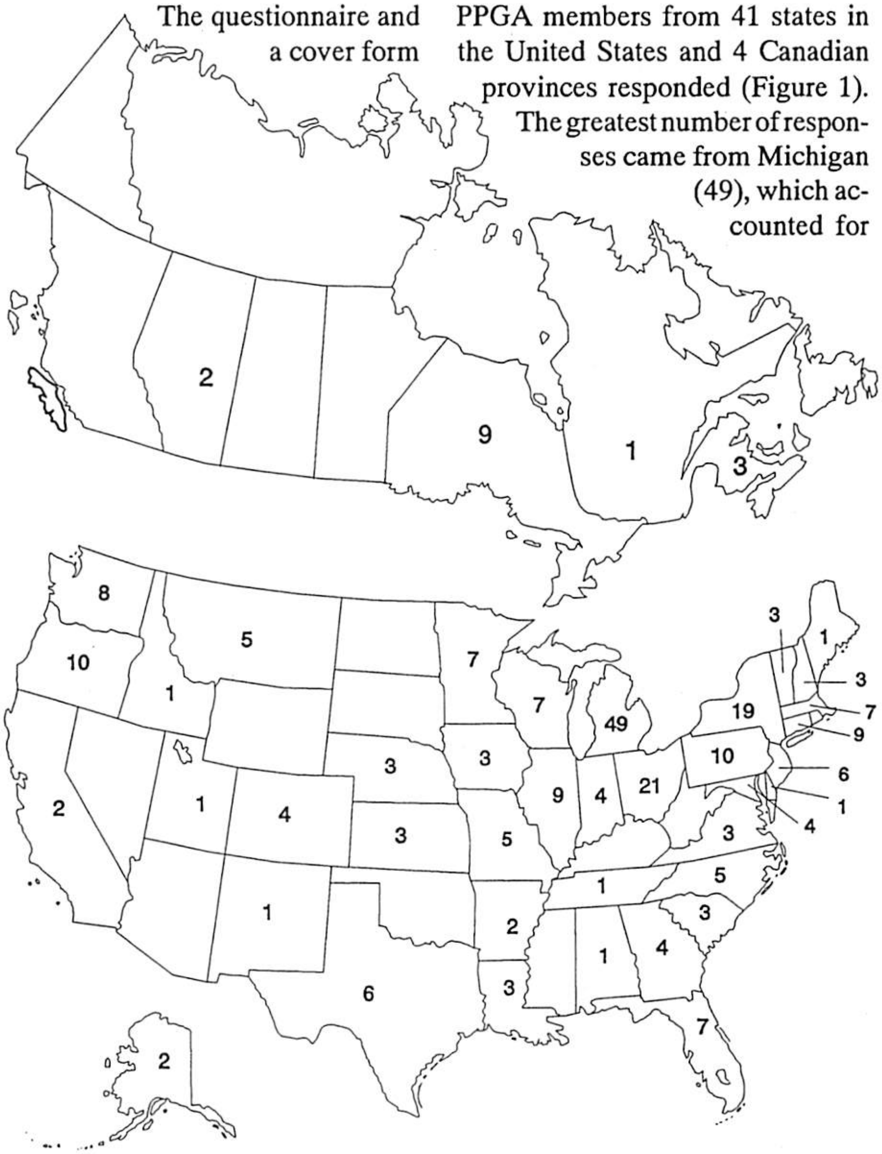


Figure 1. Number of respondents from each state in the U.S. and provinces in Canada

19% of the total. Respondents from several states from the northeast accounted for 38% of the total: MI (49), OH (21), NY (19) and PA (10).

Other states or provinces with a large number of respondents were CT (9), IL (9), OR (10), ON (9) and WA (8). Thus, the results presented here are likely more reflective of the markets served by growers in the northeast and northwest than nationwide markets in general.

Those responding included growers (12%), wholesalers (14%), retailers (8%), growers\wholesalers (15%), growers\retailers (22%), wholesalers\retailers (9%) and growers\wholesalers\retailers (20%) (Figure 2).

Looking at the businesses in terms of what activities they conducted or functions they performed, 69% grew plants or had a production function; 58% sold plants at wholesale; 59% sold plants at retail.

These data show that over half of the participants grew plants; over half sold plants at wholesale; and over half sold plants at retail.

Most firms were involved in more than one activity in the channel of distribution, strongly influencing what consumers saw in the market.

In marketing terms, the responding businesses are vertically integrated. They can achieve higher profits when they perform the functions of more than one business.

For example, a business that grows and retails can make a higher profit on a flat of bedding plants when compared to a business that only grows that flat for wholesale. When prices rise little and costs of production increase, vertical integration may be a relatively easy way to maintain or increase profits.

1993 and 1994 Sales

Members were asked to report their gross sales for the last complete year for which data were available: 1993. Gross sales were reported both in total and by crops produced. Seventy-seven percent of the participants reported their sales. The average (mean) total gross sales for 1993 was $7,705,760 (Table 1).

The median gross sales (gross sales reported by the firm ranked in the middle of all respondents) for 1993

Figure 2: Functions performed by Participants — 1994

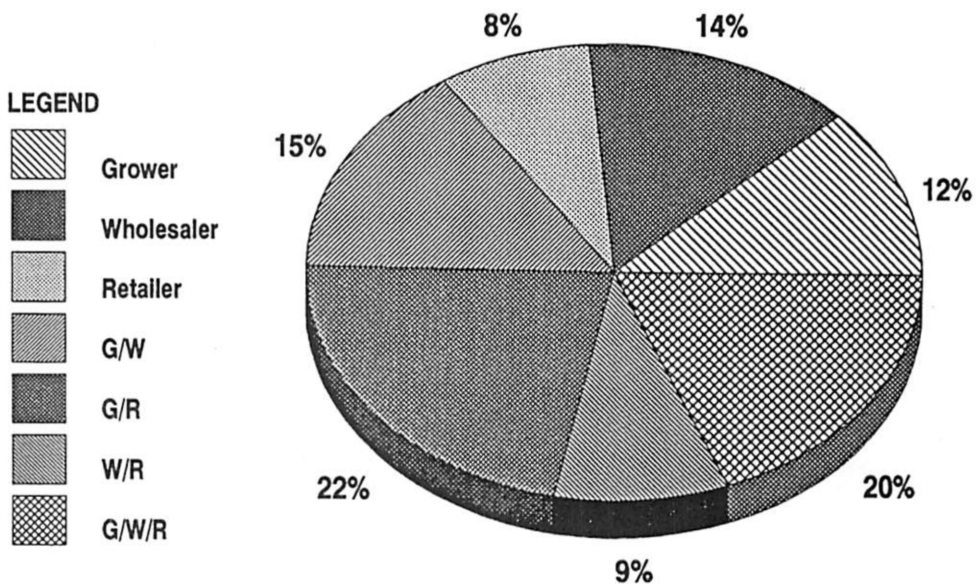


Table 1. Gross sales by product category and in total for 1993

Gross Sales Category	% Responses	Mean	Median	Mode
Foliage Plant Sales	33%	$282,065	$203,000	$1,000,000
Annual Bedding Plant Sales	70%	$6,804,600	$7,500,000	$2,000,000
Perennial Plant Sales	52%	$2,942,420	$3,000,000	$1,000,000
Cut Flower Sales	12%	$742,211	$750,000	$500,000
Flowering Plant Sales	48%	$1,160,850	$750,000	$5,000,000
Total Gross Sales	**77%**	**$7,705,760**	**$480,000**	**$500,000**

was $480,000. The median shows that 50% of the participants had revenues of less than $500,000. The mode (most frequently reported) 1993 gross sales was $500,000.

The mean and mode show that more smaller firms participated in the study this year. This was up substantially from the 1993 study which showed participants with an average $1,450,000 in sales. A balance of both small and large firms responded, providing a more balanced view of the industry.

Categorizing these businesses by size using gross sales, we saw a diversity of businesses. Sixteen percent reported sales between $0 and $100,000; 38% reported sales between $100,001 and $500,000; 20% reported sales between $500,001 and $1,000,000; and 26% reported sales over $1,000,000 (Figure 3).

While a wide range of businesses were represented, 54% of the participants were relatively small firms with 1993 gross sales of less than $500,000. More than 25% were from very large firms. This provides a balanced overview of the season sales for both large and small firms.

Figure 3: 1993 Gross Sales

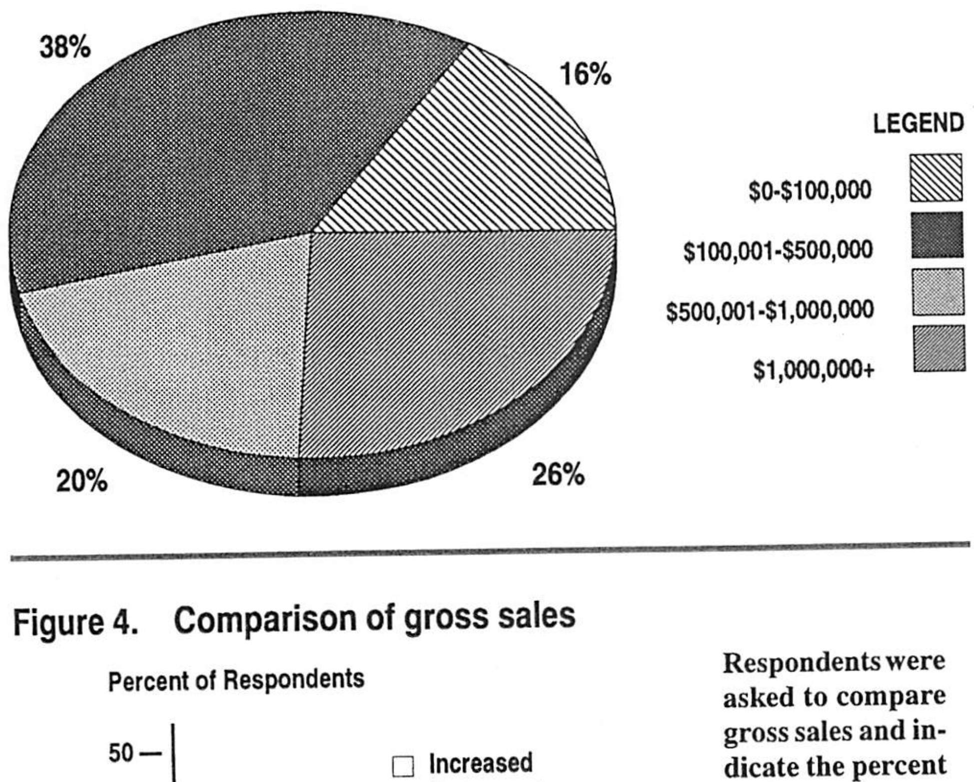
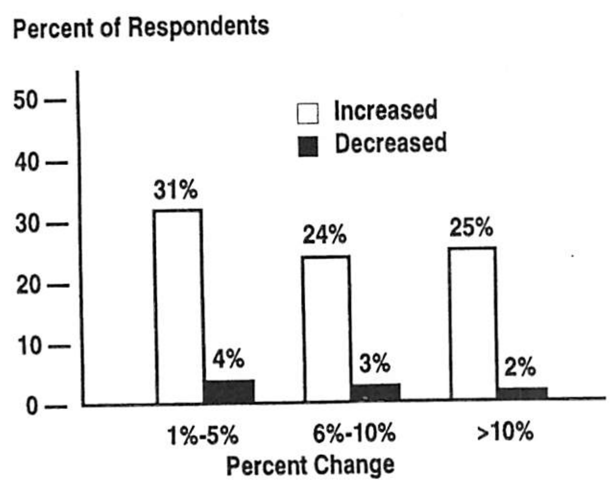


Figure 4. Comparison of gross sales



Respondents were asked to compare gross sales and indicate the percent change from 1993 to 1994. 11% reported a less than 1% difference.

Most responding firms sold more than one category of plants. Annual plants were sold by 70% of the participants, perennials were sold by 52%, flowering plants (florist crops) were sold by 48%, and cut flowers were sold by 12%. Foliage plants were sold by 33% of respondents.

An average (mean) gross sales was calculated for those who sold each category of plants. Average sales were calculated for only those businesses selling the crop.

The average sales of foliage plants in 1993 was $282,065; average bedding plant sales were $6,804,600; perennial sales, $2,942,420; flowering plant sales, $1,160,850; and cut flower sales were $742,211.

1993 Versus 1994

Participants were asked to compare the 1993 and 1994 seasons in terms of numbers grown, prices and total sales. Reported increases in gross sales for 1994 compared to 1993 outnumbered decreases (80% versus 9%), and 50% of those reporting increases had growth of more than 6% (Figure 4).

Eighty percent of the members surveyed experienced an increase in gross sales while 9% reported a decrease. Eleven percent reported that their gross sales had changed less than 1%. Thirty-one percent reported a 1 to 5% increase, 24% reported a 6 to 10% increase and 25% reported an increase of more than 10%.

Four percent reported a decrease of 1 to 5%, 3 percent indicated a decrease of 6 to 10% and 2% indicated a decrease of more than 10 percent.

Small changes in flat and pack prices were made from 1993 to 1994 (Figure 5). Forty-four percent of the respondents changed prices by less than 1%. Forty-nine percent raised prices while 7% lowered prices. Forty-one percent raised prices 1 to 5%, 6% raised prices 6 to 10 % and 2% raised prices more than 10%.

Six percent lowered prices 1 to 5%, 1% lowered prices 6 to 10% and 0.4% lowered prices more than 10%. These price changes were very similar to changes made from 1992 to 1993. Prices have changed less than 1% for most survey respondents over the last five years.

Since sales increased, and prices did not, an increase in units sold would account for an increase in gross sales. Solid increases were reported in the number of units (flats and packs) marketed from 1993 to 1994 with 39% of the participants reporting increases of 6% or more (Figure 6).

Seventy percent of the respondents sold more units while only 10% sold fewer flats and packs. Twenty percent of the growers sold the same number of units as in 1993 (+/- 1%).

A greater percentage of firms increased marketing more than 10% than was predicted in 1993. Thirty-two percent increased units sold 1 to 5% (30% projected increases in 1993), 23% increased units sold 6 to 10% (15% projected increases in 1993), and 16% increased units sold more than 10% (11% projected increases in 1993).

Six percent decreased units sold 1 to 5%, 3% decreased units sold 6 to 10% and 0.4% decreased units sold more than 10%.

Survey participants were asked to indicate the percentage of crops sold to several listed markets (Figure 7. page 6). Thirty-seven percent of the respondents sold nothing to garden centers. Sales to garden centers averaged 29%, to nurseries 4%, mass-merchandisers 11%, landscape contractors 7%, and others 8%. The highest average sales went to the producers' own retail outlet capturing an average 41% of sales.

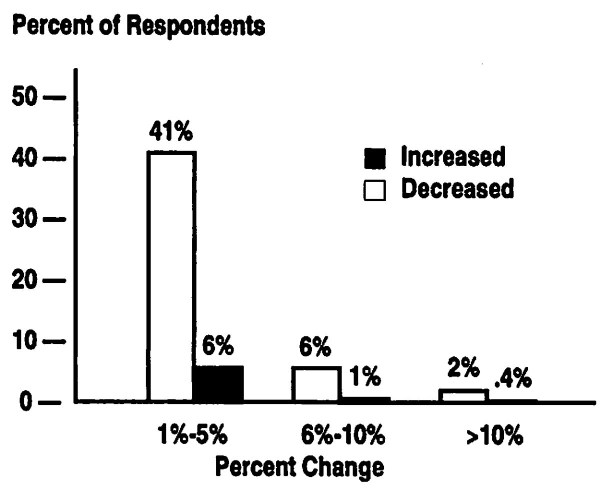
As in years past, we asked respondents about the level of bad debts. In 1994, the average was 0.8%. This was up slightly from what they reported bad debts were in 1993: 0.7%.

In reviewing the comments on annual plant production and the season overall, the weather did not play as big a role in season comments as in years past. Labor concerns, especially finding and keeping competent help, are on the top of most survey participants' minds.

Government regulations and concerns over changes in regulations were a close second to labor.

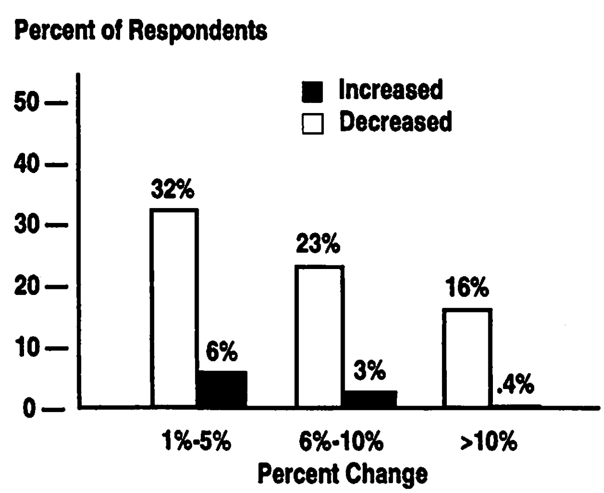
Mass merchandisers were an evident concern of at least several participants. Working with or around them continues to challenge many producers. The business of doing business continues to get tougher.

Figure 5. Comparison of price



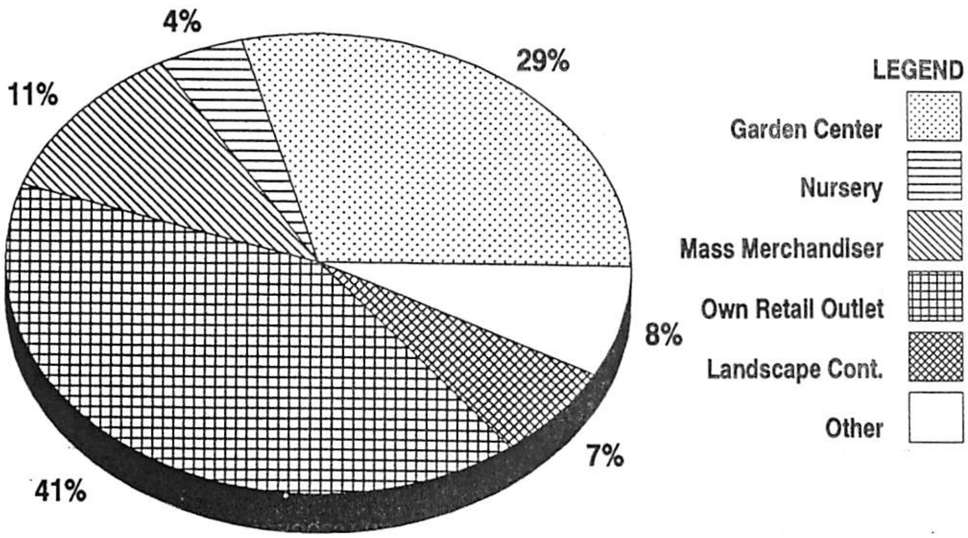
Respondents were asked to compare the price of flats and packs and indicate the percent change from 1993 to 1994. 44% reported a less than 1% difference in their prices.

Figure 6: Comparison of unit volume



Respondents were asked to compare the number of flats and packs produced and indicate the percent change from 1993 to 1994. 20% reported a less than 1% change.

Figure 7 : Where Crops Were Sold in 1994



Crystal Ball Gazing to the 1995 Season

Participants reported on their "best selling" species along with adjustments they plan to make in the number of units and types of plants they will market in 1995. They also gave information on container sizes.

For the 15th consecutive year, impatiens tops the list as the best selling bedding plant. Perennials, as a group, made their debut on the "Top Ten" list this year indicating continued successful sales in the market. Cutting and seed geraniums were listed separately, but would still be the third most popular plant if counted together (Table 2).

Pansy rose one notch this year from fifth to fourth place. Verbena and lobelia dropped out this year, replaced by dianthus and perennials. Marigolds rose from eighth to fifth place in sales.

Survey participants reported they are planning to increase marketing of annual bedding plants again for 1995 (Figure 8). Seventy percent of the participants said they plan to market more flats and packs for the 1995 season while only 10% reported they plan to decrease marketing.

Twenty percent of the respondents told us they will adjust marketing less than 1%. Thirty-two percent plan to increase unit sales 1 to 5%, 22% will increase unit sales 6 to 10% and 16% will increase unit sales more than 10%.

Six percent will decrease unit sales 1 to 5%, 3% will decrease unit sales 6 to 10% and 1% will decrease unit sales more than 10%.

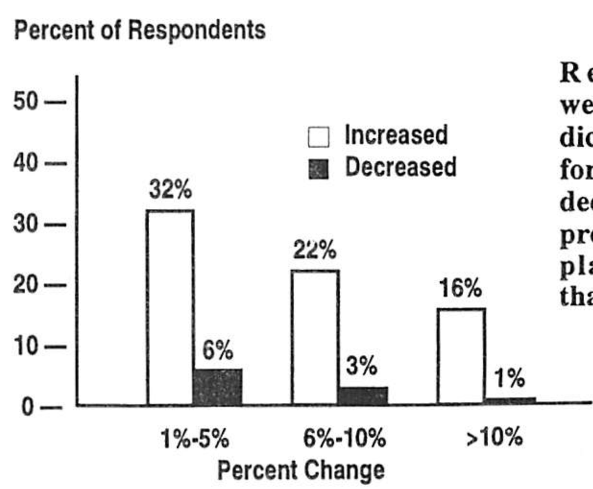
Sales of the 1994 crop were made in various container sizes, reflective of the diversity within the industry. On the average, 27% of each firm's products were marketed in 48-count flats. Only 6% of the crop was marketed in a 32-count flat.

Thirty-seven percent of the products were marketed in 4" or larger containers with 22% sold in 4" to 5.5" containers, 5% in 6" to 7.5" containers and 10% in 8" or larger containers. About one quarter of the plants sold (26%) were marketed in other types of containers.

Respondents were asked to supply the names of three bedding plant items they plan to market in greater quantities next season. Impatiens heads that list of plants. Petunia, begonia, pansy, marigold and cutting geranium were crops which participants indicated they would also market more of in 1995.

When asked to indicate which crops they will sell less of next year (1995), responses included marigold, petunia, begonia, impatiens and salvia. Petunia, begonia and marigold ap-

Figure 8: Adjustments in production for 1995



Respondents were asked to indicate their plans for an increase or decrease in 1995 production. 20% planned a less than 1% change.

Table 2: Best selling bedding plants 1984-1994

Item	1984	1985	1986	1987	1988	1989	1990	1991	1992*	1993	1994
Impatiens	29%	36%	43%	44%	45%	48%	54%	59%	*77%	58%	52%
Petunia	22%	18%	13%	15%	14%	16%	17%	15%	*53%	12%	18%
Geranium	25%	25%	27%	25%	24%	22%	14%	12%	*37%	13%	-
Cutting geranium	-	-	-	-	-	-	-	-	-	-	11%
Seed geranium	-	-	-	-	-	-	-	-	-	-	2%
Pansy	3%	2%	2%	2%	4%	3%	1%	3%	*9%	2%	3%
Marigold	7%	5%	4%	2%	2%	1%	3%	1%	*27%	1%	2%
Vinca	1%	0%	2%	3%	3%	2%	3%	3%	*12%	2%	2%
All perennials	-	-	-	-	-	-	-	-	-	-	2%
Tomato	5%	5%	1%	1%	2%	1/2%	1%	2%	*5%	-	1%
Dianthus	-	-	-	-	-	-	-	-	-	-	1%
Begonia	3%	2%	4%	2%	2%	4%	2%	3%	*26%	4%	-
Lobelia	-	-	-	-	-	-	-	-	-	1%	-
N.G. Impatiens	-	-	-	-	-	-	-	-	*10%	1%	-
Verbena	-	-	-	-	-	-	-	-	-	1%	-

*Respondents were asked to name top 3 sellers in 1992 only.

peared on both the list for increases and decreases. This likely indicates the effects of competition, as these plants are selling well for some growers but not for others.

In order to determine some specifics in production and marketing of annuals, respondents were asked a series of questions pertaining to individual crops (Table 3, page 8).

For example, 75% (195 of 260) of the respondents marketed ageratum in 1994. When asked to rate the trend in sales of this annual, the average of the 195 respondents was 2.5 using a 1=poor to 4=excellent scale. The percentage of those 195 respondents who rated the sales trend of ageratum as "excellent" was 13%.

On the average, ageratum comprised 2.1% of all crops sold in 1994. When asked about methods of propagation: 35% of the respondents indicated that ageratum was produced from seedlings they grew themselves (own seedlings); 40% reported that ageratum was produced from plugs they grew themselves (own plugs); and 25% reported propagating ageratum from plugs purchased from outside sources.

Nearly all respondents reported marketing several types of annuals listed on the survey form. Plants marketed by the greatest percentage of respondents were impatiens (77%), petunia (77%), begonia (77%), dusty miller (77%) and marigold (76%).

Plants marketed by the fewest respondents were phlox (46%), browallia (52%) and seed geranium (57%). Nearly half of all respondents reported growing each listed annual species.

Members were asked to rate the trends of annuals on a scale of 1 to 4; a rating of 4 was excellent, 3 was good, 2 was fair and 1 was poor. The average rating was highest for impatiens (3.5).

Species with a rating of 3.0 or higher (good on the scale) were alyssum (3.1), begonia (3.1), dianthus (3.0), geranium from cutting (3.5), New Guinea impatiens (3.3), lobelia (3.1), pansies (3.4), petunia (3.1) and tomato (3.0). Perennials were given an average rating of 3.3.

Four substantial changes over the 1993 season were noted this year.

- 30% of respondents rated dianthus sales as excellent this year as compared to 25% last year.
- Only 63% rated impatiens sales as excellent this year, down from 71% last year.
- Pansy sales appear to be improving as this year 55% rated their sales as excellent compared to 45% last year.
- A similar increase was noted for vinca where 34% rated vinca sales excellent this year compared to 24% last year.

Table 3: Annual crops marketed in 1994, percentage of respondents marketing each annual, average grade for each crop, percentage of total crop accounted for by annual and average percent of crop propagated by three methods.

Crop	% of Responses Selling Crop	Average Grade (1-4 scale)	% Rating Crop Excellent	% of Crop Total	% Own Seedlings	% Own Plugs	% Purchased Plugs
Ageratum	75	2.5	13	2.1	35	40	25
Alyssum	73	3.1	35	3.1	40	41	19
Asters	57	2.1	6	0.7	41	41	18
Begonias	77	3.1	38	7.3	19	36	45
Browallia	52	2.0	5	0.9	34	41	25
Celosia	72	2.3	4	1.9	33	43	24
Dahlias	71	2.7	16	1.9	40	41	19
Dianthus	75	3.0	30	2.6	33	42	25
Dusty Miller	77	2.9	26	2.8	32	40	28
Geranium (s)	57	2.9	31	6.3	25	42	33
Geranium (c)	68	3.5	62	15.0	15	27	58
New Guinea Impatiens	70	3.3	53	4.2	14	26	60
Impatiens	77	3.5	63	14.8	22	41	37
Lobelia	69	3.1	39	2.0	36	40	24
Marigolds	76	2.9	25	6.9	47	37	16
Pansies	75	3.4	55	6.2	34	36	30
Petunias	77	3.1	38	9.1	31	39	30
Phlox	46	2.1	10	4.4	42	41	17
Portulaca	73	2.8	24	2.2	35	40	25
Salvia	75	2.7	13	2.7	35	41	24
Snapdragon	72	2.8	19	2.3	35	40	25
Verbena	67	2.6	15	1.4	33	39	28
Vinca	70	2.9	34	3.0	27	40	33
Zinnias	64	2.6	18	1.4	48	41	11
Cabbage	61	2.0	6	1.0	52	38	10
Peppers	66	2.7	19	2.0	46	41	13
Tomatoes	68	3.0	37	3.9	50	39	11
Other Bedding Plants	40	2.8	14	6.9	41	38	21
All Perennials	55	3.3	47	15.3	32	25	43

In terms of the amount of the respondent's crop accounted for by a single annual plant, impatiens and cutting geraniums were leaders accounting for an average 15% of the crop. They were followed by begonias (7%) and petunias (9%). Perennials accounted for an average 15% of the total crop produced.

Respondents were asked to indicate how the annual was propagated. Several annual species were propagated to a greater extent by the company's own seedling production. Crops with more than 40% of the respondents indicating they propagated by this method included alyssum, dahlia, aster, marigold, zinnia, cabbage, pepper and tomato.

All of the listed annuals had 40% to 49% of respondents indicating they propagated by their own plug production except begonia, perennials, New Guinea impatiens, pansy, verbena, marigold, cabbage & peppers.

For these crops, more than 40% indicated they propagated the crop from purchased plants/plugs. Thus, a significant percentage of respondents produce a wide variety of crops from plugs they produce themselves.

Trends

Looking at the market for annual bedding plants over the last ten years (1983 to 1993), there is an upward trend in both wholesale and retail markets (Figure 9). Wholesale sales increased for the respondents to the 1993 survey from $164,000 in 1983 to $260,000 in 1988 (12% annual increase in five years) and rose to $6,965,310 in 1993 (53% annual increase in five years).

Retail sales increased, on the average, from $485,000 to $844,000 from 1983 to 1988 (15% annually) to $1,825,660 in 1993 (23% annual increase). Sales have increased dramatically over the last 10 years. For the businesses participating in this year's study, wholesale expansion has been tremendous in comparison to retail sales.

Perennial Plant Sales

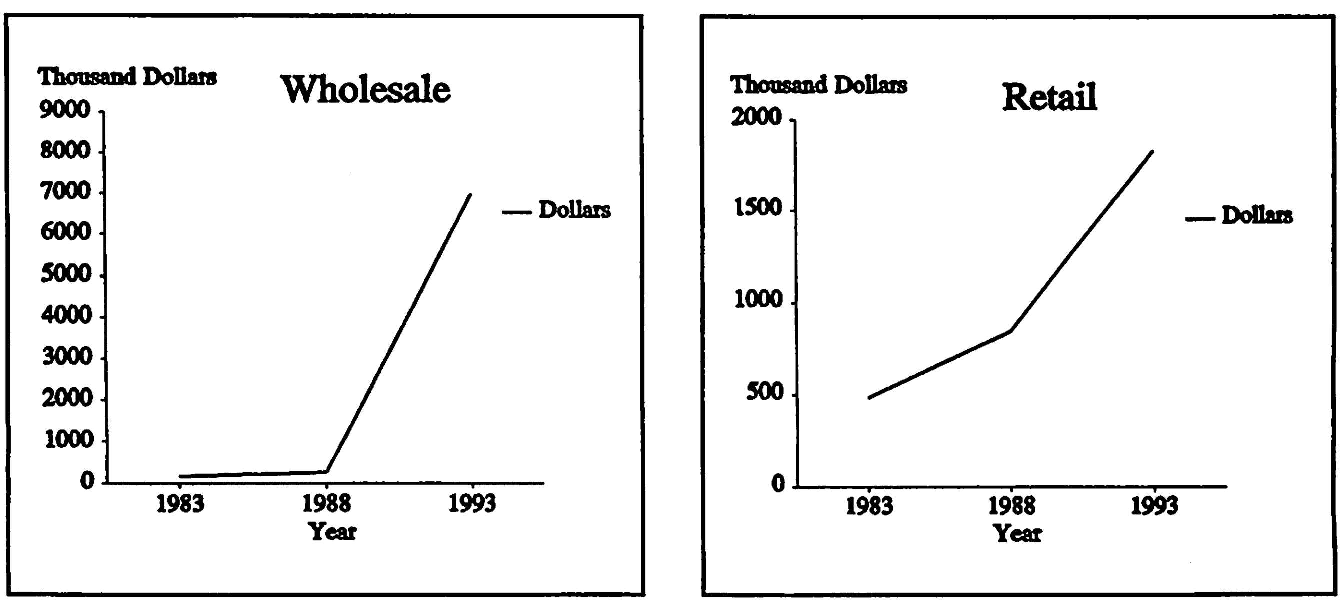
Perennial plant sales were as strong as annual plant sales this year with an estimated 5.3% growth in terms of numbers of units produced. Seventy-four percent of the respondents reported an increase in their perennial sales in 1994 while only 10% experienced a decrease in perennial sales (Figure 10, page 10).

Sixteen percent had a change in sales of less than 1 %. Twenty-three percent had an increase of 1 to 5%, 23% had an increase of 6 to 10% and 28% had an increase of over 10%.

Four percent had a decrease of 1 to 5%, 3% had a decrease of 5 to 10% and 3% had a decrease of over 10%. Perennial plant sales continue to grow significantly (rates over 10%), as more participants reported increases of 10% or more.

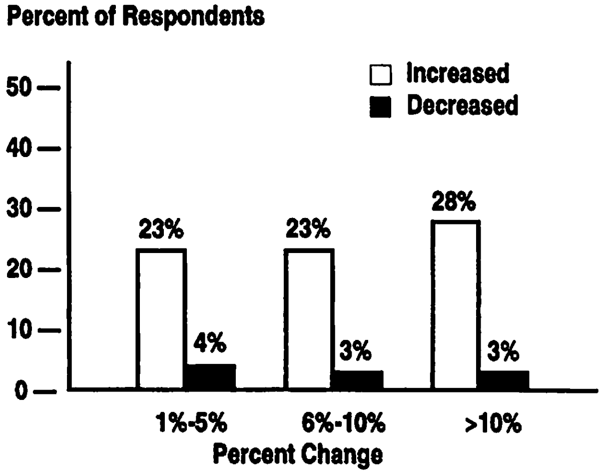
Perennial sales accounted for an average 15.3% of the total crop. They had a very good rating in terms of future outlook (3.3) with 47%

Figure 9: Ten years of bedding plant sales



Wholesale and retail bedding plant sales over the last 10 years.

Figure 10: Comparison of perennial sales — 1993 versus 1994



Respondents were asked to compare perennial sales & indicate percent change from 1993 to 1994. 16% reported a less than 1% difference.

rating the trend in sales of perennials as "excellent" (Table 4).

Twenty-three percent of the study's participants did not market perennial plants. On the average, a higher percentage of this year's respondents marketed perennials in comparison to last year's participants.

The mix of perennial species produced by commercial growers is relatively large. This is reflected in the low percentage of sales accounted for by any one perennial type. Chrysanthemum accounted for the largest percentage of any producer's crop: 12%. Hosta, phlox, hemerocallis and dianthus were other perennial types which accounted for a large portion of any producer's crop.

Fifty percent of the 1994 respondents rated hosta as having excellent sales this year, up from 37% last year. Dianthus also recorded an increase in sales; 23% reported crop sales excellent last year, compared to 33% this year. Hemerocallis sales were slightly better this year with 34% indicating excellent sales compared with 28% last year.

Primula was down from 24% last year to 19% this year as was salvia down to 16% from 20% last year.

Increases are planned for individual types of perennials, although no one type stands out to be increased more than 12%. Comments were favorable, indicating strong sales even at survey time. Diverse plant types are in demand as people are looking for something new and different.

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Table 4. Perennials marketed, rating of sales for selected species, percentage of sales accounted for by each species, and average increase or decrease anticipated for 1994.

Perennial	% of Respondents Marketing	Average Grade	% Rating Grade Excellent	Percent of Sales	Percent Increase	Percent Decrease
Achillea	48	2.4	12	2.7	3.1	1.6
Aquilegia	48	2.8	27	3.8	5.6	0.9
Chrysanthemum	48	3.0	34	12.0	9.0	2.2
Dianthus	50	3.0	33	4.7	5.1	2.1
Hemerocallis	45	2.9	34	5.1	8.2	0.5
Hosta	48	3.0	50	8.0	11.8	1.0
Orn. Grasses	40	2.2	18	2.0	8.3	3.7
Phlox	45	2.7	23	4.8	8.2	1.6
Primula	43	2.5	19	4.0	8.0	3.0
Salvia	42	2.5	16	2.3	3.4	0.9